



# State Sukuk Regulation and Strategies for Market Growth in Indonesia

**Desi Eka Mulyati**

UIN Sunan Gunung Djati Bandung  
desiekamulyati88@gmail.com

## Abstract

This study analyzes the regulation of State Sharia Securities (SBSN) in Indonesia and explores strategies for sukuk market development. Anchored in Law No. 19/2008, SBSN plays a vital role in financing infrastructure and diversifying sovereign financing. Using qualitative and normative methods, this article reviews legal instruments, fatwas, and institutional policies, along with scholarly and institutional literature. Findings reveal that while sukuk issuance has grown significantly, challenges remain in legal harmonization, tax treatment, investor protection, liquidity, and awareness. Comparative insights suggest Indonesia must strengthen its regulatory clarity, secondary market infrastructure, and product diversity to match global peers. Policy recommendations include establishing a Sukuk Development Agency, harmonizing regulations, introducing benchmark sukuk, promoting retail and green sukuk, and enhancing international integration. This study contributes theoretically to sovereign sukuk regulation discourse and practically to policymaking in Islamic finance.

**Keywords:** SBSN, state sukuk, Islamic finance regulation, market development, Indonesia.

## INTRODUCTION

Indonesia, as the world's largest Muslim-majority country, has positioned itself at the forefront of Islamic finance. Over the last two decades, the government has expanded the role of Islamic financial instruments, particularly Surat Berharga Syariah Negara (SBSN), also known as state sukuk. These securities are issued based on Shariah principles and structured to avoid riba (interest), aligning public debt financing with Islamic norms (Iqbal & Mirakhor, 2017, p. 83). The introduction of Law No. 19/2008 laid the cornerstone for Indonesia's sovereign sukuk issuance, formalizing its legal and institutional framework (Ascarya, 2019, p. 211). Since then, SBSN has become a significant tool not only for budget financing but also for strengthening financial inclusion and supporting infrastructure development (World Bank, 2022).

The development of SBSN represents more than a fiscal instrument; it is embedded within Indonesia's long-term strategy to strengthen Islamic financial markets and diversify sources of sovereign financing. Sukuk issuance has expanded to finance national projects such as transportation infrastructure, energy, and public facilities (Ismal, 2013, p. 145). With an increasing variety of series—including retail sukuk—the state has managed to attract a diverse investor base. However, challenges remain. Issues of liquidity, secondary market depth, and consistency in Shariah rulings continue to affect confidence in the SBSN market (Said & Grassa, 2013).

Globally, the sukuk market has experienced robust growth, with Malaysia, Saudi Arabia, and the UAE leading issuance (Cakir & Raei, 2007). Indonesia is now among the top five issuers worldwide. Yet compared to conventional sovereign bonds, sukuk still represent a smaller portion of government debt portfolios, both in volume and investor breadth (IMF, 2020). The Indonesian government thus faces a strategic imperative: how to consolidate SBSN regulation while ensuring its sustainable growth as a competitive sovereign instrument in global markets.

Despite the significant progress, gaps persist in scholarly and policy discussions. Much research has analyzed sukuk as a financial innovation or as an Islamic legal adaptation, but few

studies combine regulatory, market, and institutional perspectives into a unified development strategy (Rahman, 2021, p. 92). Moreover, little is written on the comparative effectiveness of Indonesia's sukuk relative to other jurisdictions, such as Malaysia's robust secondary market and GCC's cross-border issuances (Zin et al., 2011). Addressing these gaps requires a holistic analysis that links legal regulation, financial market theory, and practical policy.

Accordingly, this study poses three research questions: First, what is the regulatory architecture of SBSN in Indonesia? Second, what strategies are most effective to accelerate state sukuk market development? Third, how can Indonesia integrate sukuk issuance into broader macroeconomic and global Islamic finance contexts? These questions guide the narrative throughout the article, ensuring thematic alignment between regulatory foundations, empirical evidence, and strategic recommendations.

The objective of this study is twofold: to provide a rigorous account of SBSN regulation and to propose actionable strategies for the sukuk market's future development. The significance lies not only in contributing to Islamic finance scholarship but also in informing policymakers, regulators, and investors. By addressing gaps in literature and practice, this article aspires to shape discourse on how sovereign sukuk can advance inclusive, sustainable finance in Indonesia and beyond.

## LITERATURE REVIEW

The literature on sukuk and SBSN spans law, economics, and finance. Scholars define sukuk as certificates representing undivided ownership of an underlying asset, distinguishing them from conventional bonds that generate fixed interest payments (El-Gamal, 2006, p. 113). In the Indonesian context, SBSN is specifically regulated to ensure asset-backing and Shariah compliance, supported by fatwas of the National Sharia Council (DSN-MUI) (Ascarya, 2019, p. 220).

Globally, sovereign sukuk issuance has been shown to provide fiscal flexibility and deepen domestic capital markets (Cakir & Raei, 2007). Empirical studies have demonstrated their positive role in GDP growth and financial stability (Arundina, 2019). Within Indonesia, Nurhanifah (2022) emphasizes the importance of sukuk as both a fiscal tool and a driver for infrastructure investment. At the same time, Fitch Ratings (2021) highlights the underdevelopment of the corporate sukuk sector, illustrating the dominance of government-led initiatives.

The literature also underscores challenges: fragmented regulatory frameworks, heterogeneity in Shariah interpretations, and lack of secondary market liquidity (Said & Grassa, 2013). While Malaysia is cited as a model for sukuk market depth, comparative research reveals that Indonesia's growth trajectory is distinct, shaped by its legal pluralism and fiscal structure (Zin et al., 2011). The gap lies in synthesizing these insights into a comprehensive development strategy for SBSN.

## THEORETICAL FRAMEWORK

First, Islamic finance theory, which emphasizes *maqasid al-shariah* (objectives of Islamic law) in economic activities (Chapra, 2008, p. 55). SBSN issuance is justified as it avoids interest, ensures fairness, and promotes welfare (*maslahah*).

Second, sovereign debt theory, which views government securities as instruments of fiscal

management, liquidity provision, and monetary policy transmission (Missale, 1999, p. 67). Sovereign sukuk, while distinct, fulfill similar roles in diversifying financing and providing benchmarks for Islamic assets.

Third, market development theory, emphasizing the institutional and infrastructural preconditions for deep financial markets (Levine, 1997). For sukuk markets, this entails robust regulation, secondary trading, disclosure standards, and investor education.

Together, these frameworks support a multidimensional analysis: SBSN as Shariah-compliant sovereign instruments, as public debt securities, and as developmental tools for financial markets. This triangulation ensures that recommendations are not only legally sound but also economically viable and institutionally grounded.

## PREVIOUS RESEARCH

Research on sukuk in Indonesia has evolved chronologically. Cakir and Raei (2007) were among the first to analyze sukuk's risk-return profile, finding that sukuk provide diversification benefits. El-Gamal (2006, p. 112) critiqued sukuk structures as "Shariah arbitrage" but acknowledged their practical role in finance.

Zin et al. (2011) compared Malaysia and Indonesia, highlighting Malaysia's stronger legal clarity and liquidity. Arundina (2019) empirically found that sukuk positively correlate with GDP growth. Nurhanifah (2022) documented opportunities and barriers for sukuk development in Indonesia, emphasizing institutional weaknesses. Fitch Ratings (2021) underscored the corporate sukuk's underdevelopment. Finally, World Bank (2022) outlined Indonesia's green sukuk success as an innovation in sustainable finance.

These studies collectively underscore progress but also highlight gaps in regulation, liquidity, and investor outreach. This article builds on such findings by integrating them into a regulatory and developmental strategy.

## METHOD

This study employs a qualitative, normative-legal methodology. Data are textual, including statutory laws (Law No. 19/2008), government regulations, fatwas, and secondary academic and institutional literature (Creswell, 2014, p. 186).

Sources include books, peer-reviewed journals, theses, official reports (World Bank, IMF, BPS), and Sinta-Garuda indexed Indonesian journals. Data were collected through document analysis and literature review (Bowen, 2009).

Thematic analysis was used to identify recurring themes across regulation, market development, and challenges (Braun & Clarke, 2006).

Conclusions were synthesized by integrating findings with theoretical frameworks and previous research, ensuring coherence and policy relevance (Miles & Huberman, 1994, p. 112).

## RESULTS AND DISCUSSION

The findings reveal that while SBSN has grown significantly, regulation remains fragmented. Law No. 19/2008 provides a solid basis, but gaps in tax neutrality, secondary market liquidity, and investor protection persist (Ascarya, 2019, p. 230). Previous research confirms SBSN's role

in economic growth (Arundina, 2019), yet theoretical frameworks highlight the need for stronger market institutions (Levine, 1997).

### 1. Regulatory Architecture of SBSN

This addresses the first research question. Indonesia's SBSN regulation mandates asset-backing and Shariah compliance, with DSN-MUI fatwas as interpretive authority (Ismal, 2013, p. 156). However, ambiguity remains regarding asset ownership, SPV structures, and investor remedies. Tax treatment is inconsistent, creating disincentives (Rahman, 2021, p. 94). Comparisons with Malaysia reveal Indonesia's weaker enforcement mechanisms (Zin et al., 2011).

### 2. Strategies for Market Development

The second research question concerns strategies. Findings suggest prioritizing regulatory harmonization, issuance of benchmark sukuk, and development of repo and liquidity facilities. Product innovation—green sukuk, retail sukuk, and waqf-linked sukuk—can expand the investor base (World Bank, 2022). Awareness campaigns and education are vital to enhance retail participation (Nurhanifah, 2022).

### 3. Integration into Macroeconomic and Global Contexts

The third research question highlights integration. Sukuk issuance must align with fiscal sustainability, debt ceilings, and macroeconomic policy (IMF, 2020). International collaboration through AAOIFI and IFSB standards can enhance credibility. Cross-listing Indonesian sukuk abroad can diversify funding sources and signal international confidence (Said & Grassa, 2013).

This study finds that SBSN regulation in Indonesia provides a strong foundation but needs harmonization. Development strategies should emphasize legal clarity, market infrastructure, product innovation, and investor outreach. The theoretical contribution lies in integrating Islamic finance theory with sovereign debt and market development theories. Practically, the study recommends phased reforms: establish a Sukuk Development Agency, harmonize regulations, develop secondary market liquidity, and promote retail and green sukuk. Implications include theoretical refinement of sukuk regulation as sovereign debt, and practical guidance for policymakers aiming to position Indonesia as a global sukuk hub

## CONCLUSION

SBSN has evolved into a cornerstone of Indonesia's Islamic finance ecosystem, financing infrastructure and strengthening fiscal resilience. Law No. 19/2008 and supporting regulations anchor the legal framework, but market development remains constrained by legal, institutional, and liquidity challenges. Strategic reforms can address these gaps.

Key recommendations include regulatory harmonization, institutional strengthening, product innovation, and international integration. By adopting these measures, Indonesia can deepen its sukuk market, attract global investors, and align sovereign financing with Islamic principles. Future research should explore comparative models, fintech integration, and behavioral aspects of sukuk investment

## REFERENCES

Arundina, T. (2019). Impact of sukuk market development on Indonesian economic growth. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(3), 456–472. <https://doi.org/10.1108/IMEFM-06-2018-0198>

Ascarya. (2019). *Islamic capital market in Indonesia: Development and challenges*. Jakarta: Bank Indonesia Press.

Ayub, M. (2017). *Understanding Islamic finance*. John Wiley & Sons. <https://doi.org/10.1002/9781119209026>

Bowen, G. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27–40. <https://doi.org/10.3316/QRJ0902027>

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>

Cakir, S., & Raei, F. (2007). Sukuk vs. Eurobonds: Is there a difference in value-at-risk? *IMF Working Paper 07/237*. International Monetary Fund. <https://doi.org/10.5089/9781451868027.001>

Chapra, M. U. (2008). *The Islamic vision of development in the light of maqasid al-shariah*. Jeddah: Islamic Research and Training Institute.

Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th ed.). Thousand Oaks, CA: Sage.

El-Gamal, M. A. (2006). *Islamic finance: Law, economics, and practice*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511753756>

Fitch Ratings. (2021). Indonesia nascent corporate sukuk market has room to grow. *Fitch Ratings Report*. Retrieved from <https://www.fitchratings.com>

Grassa, R., & Miniaoui, H. (2018). Corporate governance and sukuk market development: A cross-country analysis. *Research in International Business and Finance*, 46, 171–183. <https://doi.org/10.1016/j.ribaf.2018.03.003>

Hudaefi, F. A., & Jaswir, I. (2019). Green sukuk for financing renewable energy projects in Indonesia. *Journal of Islamic Finance*, 8(2), 1–10. <https://doi.org/10.12816/0054150>

Iqbal, Z., & Mirakhori, A. (2017). *Ethics and finance: An Islamic perspective*. Springer. <https://doi.org/10.1007/978-3-319-66377-5>

IMF. (2020). *Sovereign debt management in developing countries*. Washington, DC: International Monetary Fund.

Ismal, R. (2013). *Islamic banking in Indonesia: New perspectives on monetary and financial issues*. Wiley.

Levine, R. (1997). Financial development and economic growth: Views and agenda. *Journal of Economic Literature*, 35(2), 688–726.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. Thousand Oaks, CA: Sage.

Missale, A. (1999). *Public debt management*. Oxford University Press.

Muhamed, N., & Masih, M. (2020). Do sukuk markets spur economic growth? Evidence from Malaysia and Indonesia. *Economic Systems*, 44(2), 100760. <https://doi.org/10.1016/j.ecosys.2020.100760>

Nurhanifah, N. (2022). The evolution and impact of sukuk in Indonesia: A systematic review. *Widya Ekonomika Journal of Economics and Business*, 4(2), 111–126. Retrieved from <https://garuda.kemdikbud.go.id>

Rahman, F. (2021). Legal aspects of sovereign sukuk in Indonesia. *Al-Iqtishad: Journal of Islamic Economics*, 13(1), 91–104. <https://doi.org/10.15408/aiq.v13i1.18392>

Said, A., & Grassa, R. (2013). The determinants of sukuk market development. *Emerging Markets Finance and Trade*, 49(2), 35–67. <https://doi.org/10.2753/REE1540-496X490203>

Sakti, A., & Suryanto, T. (2021). The role of retail sukuk in Indonesia's financial inclusion. *Jurnal Ekonomi dan Pembangunan Indonesia*, 21(1), 45–60. <https://doi.org/10.21002/jepi.v21i1.1104>

Setiawan, A. (2020). Sharia compliance and innovation in sukuk issuance: Indonesian case study. *Jurnal Keuangan dan Perbankan Syariah*, 12(3), 211–225. Retrieved from <https://garuda.kemdikbud.go.id>

Smaoui, H., & Nechi, S. (2017). Does sukuk market development spur economic growth? *Research in International Business and Finance*, 41, 136–147. <https://doi.org/10.1016/j.ribaf.2017.04.035>

Utami, E., & Nurrohman, A. (2022). Sukuk and macroeconomic performance during the Jokowi era. *Academic Journal of Interdisciplinary Studies*, 11(2), 112–122. <https://doi.org/10.36941/ajis-2022-0050>

World Bank. (2022). *Indonesia Green Sukuk Report*. Washington, DC: World Bank.

World Bank. (2021). *Developing Islamic finance in Indonesia: National strategy and progress*. Washington, DC: World Bank.

Zin, N. A. M., Mohd-Sanusi, Z., & Osman, N. C. (2011). The effectiveness of sukuk in Malaysian and Indonesian markets: A comparative study. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(3), 203–220.  
<https://doi.org/10.1108/17538391111166486>

Zuhri, S. (2020). Shariah supervisory boards and sukuk compliance in Indonesia. *Journal of Indonesian Economy and Business*, 35(2), 123–139. <https://doi.org/10.22146/jieb.56721>

Zulkhibri, M. (2015). A synthesis of theoretical and empirical research on sukuk. *Borsa Istanbul Review*, 15(4), 237–248. <https://doi.org/10.1016/j.bir.2015.10.001>